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FM AMCONSUL SAO PAULO
TO RUEHC/SECSTATE WASHDC PRIORITY 5733
INFO RUEHBR/AMEMBASSY BRASILIA 6795
RUEHAC/AMEMBASSY ASUNCION 2761
RUEHBU/AMEMBASSY BUENOS AIRES 2446
RUEHMN/AMEMBASSY MONTEVIDEO 2148
RUEHSG/AMEMBASSY SANTIAGO 1863
RUEHLP/AMEMBASSY LA PAZ 3008
RUEHRI/AMCONSUL RIO DE JANEIRO 7413
RUEHRG/AMCONSUL RECIFE 3121
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STATE PASS USTR FOR MSULLIVAN
STATE PASS EXIMBANK
STATE PASS OPIC FOR MORONESE, RIVERA, MERVENNE
NSC FOR FEARS
SOUTHCOM ALSO FOR POLAD
USAID/W FOR LAC/AA

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SUBJECT: POLLSTER GIVES ALCKMIN A FIGHTING CHANCE IN ELECTIONS, SEES
LIMITED REFORMS IN A SECOND LULA GOVERNMENT

¶1. SUMMARY: Marcia Cavallari Nunes, Executive Director of the prestigious "IBOPE" polling firm, believes opposition candidate Geraldo Alckmin still has a chance to deny President Lula a first-round electoral victory, but that it would require an unpredictable combination of events between now and October 1. She attributed Alckmin's failure to connect with the electorate to his ponderous, deliberate speaking style and complex parsing of issues, which voters have no patience for. If he decides to go on the attack against Lula, as many of his supporters have been urging him to do, he needs to do so carefully, as polls show voters often resent and react against negative campaigning. Cavallari noted the manner in which Lula has distanced his campaign from that of his Workers' Party (PT) and predicted that the PT will suffer losses in Congressional elections, while the centrist Brazilian Democratic Movement Party (PMDB) will gain seats and exercise considerable influence both in Congress and in a second Lula administration. Assuming he is re-elected, she said Lula may be able to enact some form of tax reform and industrial relations reform, both of which would bring tangible benefits to voters, but, despite his campaign promises, doubted he would be able to bring about political reform due to entrenched interests and a lack of consensus among the political class. END SUMMARY.

¶2. A series of recent polls show President Lula holding steady and even slightly increasing his numbers and suggest that if the election were held today, he would win in a first round with a little more than 50 percent of the valid votes cast. The recent IBOPE (Brazilian Institute for Public Opinion and Education) poll also reported increasing levels of voter alienation; 57 percent indicated they would probably not vote were it not required by law. (NOTE: While voting is mandatory, some voters stay away from the polls regardless, and others simply submit blank or "spoiled" ballots.) Cavallari cited a number of reasons: Elections in the past were often enlivened by the PT's strong militancy; now, however, after four years at the helm of the federal government, and still reeling from the political corruption scandal that costs it much of its leadership, the PT is increasingly viewed by voters as just another party like all the others, no longer inspiring either enthusiastic support or passionate opposition. The fact that 20 of 27 gubernatorial races involve incumbents running for re-election, many of them poised to win in the first round, is another cause of

voter apathy.

ALCKMIN CAN STILL TURN IT AROUND

¶3. Nevertheless, Cavallari believes many voters remain engaged and interested, and that Alckmin still has time to improve his performance enough to deny Lula a first-round victory and force a runoff. Enough undecided voters, and voters whose current support for Lula is tepid and subject to change, are still out there to be tapped by Alckmin under the right circumstances. Given that economic issues are such a strong determinant of voter preferences and that Lula's strong position in the polls is based substantially on a general satisfaction with the economy, any economic bad news that affects a large number of people or undermines confidence could still hurt Lula. The recently announced layoffs at Volkswagen in Sao Bernardo do Campo (which the company subsequently rescinded) and newly released economic figures showing lower GDP growth than anticipated, while in themselves not sufficient, are examples of events that might provoke some voters to change their minds. New evidence of corruption on Lula's part, should it emerge, could also diminish his lead, but Cavallari cautioned that most voters are tired of the scandals, and the only thing likely to rouse their indignation would be evidence of theft of public funds for personal gain.

¶4. Cavallari attributed Alckmin's failure thus far to connect with voters to his bland personal style and manner of communication. Because he addresses issues in such a measured, deliberate manner, full of pauses, many observers perceive his message as programmed or canned (though, ironically, it isn't; this is simply the way he talks). In contrast, Lula's spontaneous, relaxed style goes down well even with voters who disagree with the substance of his

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message. For this reason, Cavallari continued, when the scandal broke in mid-2005 and was laid at his doorstep, important elements of the public were inclined to protect him and even make excuses for him. This, combined with the opposition's possibly fatal error of not knocking him out while they had him on the ropes, enabled him to survive, and after a difficult period he was able in January to begin a recovery that surprised many. This apparent spontaneity, however, carries risks of his own; on several occasions, Lula has committed gaffes or made inaccurate, possibly even dishonest, assertions which have made him look bad; too many more of those in the last month of the campaign could also damage him in the polls and make him look less unbeatable. Observers have commented on Lula's lack of a "self-censorship" mechanism.

TO ATTACK OR NOT TO ATTACK?

¶5. Up to now, Cavallari noted, Alckmin has avoided attacking Lula directly, both because it is incompatible with his personal style and because he fears it might backfire on him. However, as he continues to trail and as time runs short, more and more of his supporters are urging him to take the gloves off. Any attempt to attack Lula on ethical grounds, however, needs to be carefully planned and mixed with more positive messages, because many lower-class people identify with Lula and many voters are alienated by negative campaigning. (NOTE: During the week of August 28, Alckmin's speeches and those of his supporters were more combative in tone, and his television advertising, which up to now had focused on his biography and accomplishments, made explicit references to the scandals that have plagued the Lula administration. One PSDB insider told us privately that he expected this more aggressive approach to increase in intensity over the next few weeks, while at the same time the PSDB would release, piece by piece, its detailed government program and contrast it with the PT's government program, which was published August 29. END NOTE.)

CHALLENGES IN A SECOND LULA ADMINISTRATION

¶16. Cavallari commented on the way Lula has campaigned almost without reference to the PT, which was such a visible part of all his previous campaigns. He evidently believes -- rightly -- that the party is damaged goods, more a hindrance than a help in attracting votes, and he has done little or nothing to help PT gubernatorial or congressional candidates. The resulting lack of coattails, combined with the party's already damaged reputation, will hurt the party in the Congressional races, she said. The PT will almost inevitably elect fewer than its current 81 Federal Deputies; the only question is how bad a loss it will suffer. The PMDB, on the other hand, is on track to elect as many as 15 Governors, and its strength in so many states will propel it to an increase over its current total of 79 Deputies. (Some observers believe it will win up to 100 seats.) Alckmin's PSDB will also likely lose some seats, further strengthening the PMDB's position. This will complicate Lula's task of governing. He can appoint PMDB members to Cabinet and other important positions (as he has indicated a willingness to do), but even so, he will have a difficult time garnering the fragmented party's united support for his initiatives. As many smaller parties lose their viability as a result of failing to meet the five percent threshold mandated by the "Barrier Clause" in effect for the first time this year, a key question will be where their elected members migrate to and what dynamic emerges in a new Chamber and Senate composed of only about seven political parties as opposed to the current 15-17.

¶17. In this new setting, Cavallari predicted that Lula may be able to push through some limited tax reform or industrial relations reform, but that the political reform he has promised will be very difficult to achieve, because there exists little consensus as to what it should encompass. (NOTE: Curiously, Lula's government program does not even mention tax reform or social security reform. END NOTE.)

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COMMENT

¶18. While Alckmin's supporters have pinned their hopes on the subsidized television advertising (which began August 15), polls indicate that a large portion of the electorate is not even watching, and that so far it is not changing voters' preferences. It will be interesting to see if this remains the case as Alckmin's ads attempt to target Lula more directly. END COMMENT.

¶19. This cable was coordinated/cleared with Embassy Brasilia.

MCMULLEN